

rights, to continue their outstanding circulation. It was the purpose and expectation that these banks would gradually be led to retire their circulation and remit the power to the central bank of issue. Provision for this contingency was made by the authority given the bank to increase the amount of securities in the issue department to an amount not exceeding two-thirds of the country bank-notes withdrawn and to issue circulation against the new securities.¹ The new issues did not fall to the bank automatically, but required an order from the Crown in Council. The amount of circulation allowed the country banks was determined by the average circulation during the twelve weeks preceding April 27, 1844, and the amount was found to be £5,¹ 153,417 for the 207 private banks and £3,478,230 for the 72 joint stock banks. It was not until December 13, 1855, that any increase was made in the secured circulation of the Bank of England. Forty-seven banks with aggregate issues of £712,623 had ceased to *issue* their notes since the Act of 1844 and an order was made authorizing the increase of the Bank of England issue by £475,000. The next increase was £175,000 in 1861, and the next £350,000 in 1866, increasing the issues upon securities to £15,000,000. An increase of £750,000 was made April 1, 1881; £450,000 September 15, 1887; £250,000 February 8, 1889; £350,000 January 29, 1894; £975,000 March 3, 1900; £400,000 August 1, 1902; £275,000 August 10, 1903. The secured circulation, therefore, now stands at £18,450,000 (\$90,000,000). Lapsed issues have been £7,236,595,—£4,670,673 for 190 private banks and £2,565,922 for 58 joint stock banks.

No provision was made for strengthening the security of the issues of private banks, except the absolute limit put

¹ The limitation to two-thirds of the cancelled issues was based upon the theory that these issues had been protected by one-third their amount in bullion, which would be released for circulation, thus keeping the amount of circulation intact. The utter disregard of banking principles embodied in the law is indicated by this assumption, which completely ignores the necessity for a reserve against general liabilities.—Gilbart, II., 100.